FORTUNE July 1953

Defense and Strategy

New Accents in Military Thinking and Spending

- **How much business for the aircraft industry?**
- **The Air Force of 1955-56.**
- **The underlying strategic decision.**
- **New load on the Central Intelligence Agency.**
- **The disputed continental defense.**

Aircraft Industry Prospects

WASHINGTON

The slowdown of military-aircraft procurement under the Wilson budget would leave the aircraft industry a gross annual military business from the three services, plus production for the Mutual Defense Assistance program, averaging about $8 billion over the fiscal years 1954–56. This is a drop of about 20 per cent from the $10 billion-plus envisaged under the Truman schedules.

Schedules for fiscal 1954 are fairly firm though some model shifts are still being debated. Estimated gross business for the year: $9.2 billion. Fiscal 1955: schedules shaping up, but subject to fairly violent manhandling. Estimated volume of business: about $9 billion. Fiscal 1956: specific programs still pretty much up in the air, but Wilson and Kyes seem to have in mind a fairly definite limit on total spending. Probable gross business, with the Air Force leveled off at 120 wings, and the Navy and Marine Air on a sustaining rate: $7 billion to $7.2 billion.

Nothing short of World War III could effect much of a change in the fiscal 1954 production schedules; the fiscal 1955–56 outlook is still subject to the promised review of "force levels" by the Joint Chiefs of Staff and to the pleasure of Congress.

The 120-Wing Air Force

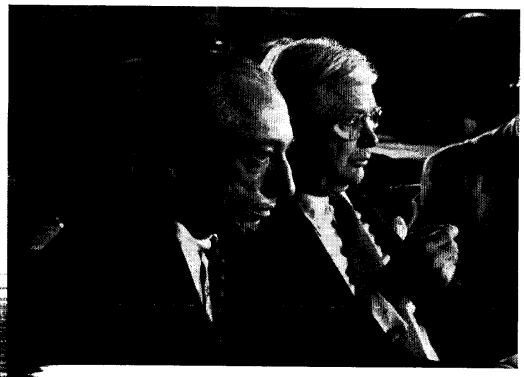
SALTONSTALL: I get the impression that you're not cutting down the Air Force; you're building it up.

WILSON: I just said we're increasing it in numbers by 30 per cent and more than that in combat effectiveness.

Mr. Wilson's difficulties on Capitol Hill arose only in part from a lack of candor and tact. The fundamental trouble centered about the Secretary's dogged insistence that checking what is only in growth is not the same thing as subtracting from what is actually in being. In this, of course, the Secretary is right. But the question troubling the Senators was whether Mr. Wilson's program provides *enough* growth. What was the schedule of growth pre-Wilson, and what would be the actual effects of the Wilson cuts?

As of January 1, just a few weeks before the Eisenhower Administration took office, the Air Force had on order some 17,000 aircraft scheduled for delivery between then and mid-1955, to be financed from a $25-billion carry-over of funds appropriated earlier by Congress. The Truman budget had asked for an additional $6.5 billion for procuring some 3,500 more aircraft by June, 1956, thereby sustaining the growth of the Air Force to 143 wings and continuing its modernization.

Thus the pre-Wilson aircraft procurement



Defense Secretary Wilson (right, above) and Deputy Secretary Kyes put in some painful hours on Capitol Hill last month defending their budget cuts. Despite the protective interventions of Michigan's Senator Homer Ferguson, chairman of the Senate subcommittee on military appropriations, the Pentagon officials did not convince Senator Margaret Chase Smith of Maine that they had done their homework.

program, extending over a three-and-a-half-year span, called for an additional 21,000 aircraft for the Air Force at a total cost of $30 billion. With these funds the Air Force proposed to raise its strength from the present 106-wing level to 133 wings by June, 1954, and to reach the 143-wing goal by December, 1955.

Such a schedule allowed for an attrition (accidents and Korean combat losses) of about 1,600 aircraft a year, plus a steady relegation of older aircraft to the Air National Guard and Air Reserve. It would have given the Air Force itself a working inventory, by mid-1956, of about 21,000 first-line aircraft. The total inventory, including Air Reserve and National Guard, would have been slightly in excess of 31,000 aircraft.

Under the present budget, total procurement funds in prospect for the Air Force over the same period are about $23 billion. With this it expects to equip only 114 wings by June, 1954, and 120 wings by June, 1956. Its 1956 inventory of first-line aircraft would be about 16,000, and the total inventory, including Air Reserve and National Guard, would be about 26,000 aircraft.

Wilson's argument

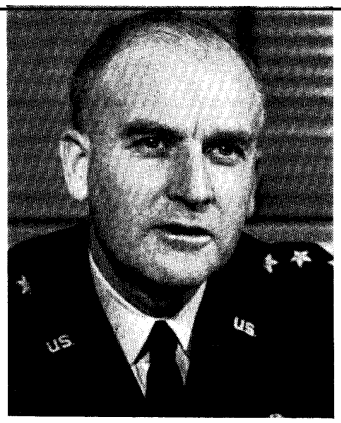
Wilson has justified this drastic surgery on the argument that (*a*) the projected combat strength of the Air Force will be largely unimpaired and (*b*) there will be no reduction in the planned output of combat aircraft.

The cut in the planned force-in-being has been contrived primarily at the expense of so-called supporting forces—i.e., troop-carrying and assault transports plus helicopters tied in with the ground forces. Eight assault transport groups (never included in the 143-wing force) have been knocked out of the program. The strategic Air Force of 1955–56 loses six B-47 wings (of which three were training wings) and two long-range fighter-escort wings. The tactical Air Force will build up to seventeen instead of twenty-eight day-fighter and fighter-bomber wings and it loses one tactical-reconnaissance wing.

Thus there does result a substantial cutback in planned combat strength, to be borne largely by the tactical Air Force, which had been almost entirely committed to NATO as a D-day force. It is now likely that the promised land-based tactical air commitment for the defense of Western Europe will be only 60 to 70 per cent fulfilled.

The 25 per cent cutback of aircraft for the first-line inventory of 1956, in combination with Wilson's decision to hold the production of combat types close to the 143-wing tempo, at least through fiscal 1955, leads the Air Force into an extraordinary situation. By the end of 1955 it would have nearly 3,000 more first-line aircraft than the 120-wing structure (which is from six to ten more than the Air Force believes it will have men to man) can absorb.

Some 1,200 of these aircraft, mostly fighters and fighter-bombers, are to be turned over to the Air National Guard and the Air Reserve. The balance are to be mothballed. Wilson has blamed the Air Force for creating "paper" wings—wings without aircraft. Two years hence he may be confronted by another kind of paper force—aircraft without wings.



Lieutenant General Cabell

Director Dulles

These two men, one an airman, the other a lawyer, direct the worldwide, clandestine operations of the Central Intelligence Agency. Cabell is an air-intelligence specialist; Dulles had a brilliant career as director of OSS operations in Switzerland in World War II.

Strategy for "An Age of Peril"

PRESS: You speak of having a sufficient defense. By what do you gauge . . . a sufficient defense?

SECRETARY WILSON: That is the $64 question.

The only inference to be drawn from the new budget is that the President and his advisers have concluded that the Soviet Union lacks both the capability and, barring some incalculable act of desperation, the intention of large-scale military action for some years to come, if ever.

Indeed, Wilson and Kyes have been explicit on this point. Wilson has said that the Soviet atomic stockpile has been exaggerated, and that Soviet air power is inherently defensive. Deputy Secretary Kyes has advanced the view that Soviet strategy is still harnessed to land armies. He scoffed at Soviet industrial potential and theorized that Soviet power is slipping under the strain of the Korean war.

Any of these opinions might be respectable club-car speculation. What is unusual is for them to be advanced as the real lowdown by responsible government officials. The President, of course, has refrained from public crystal gazing. But the trend of his thinking has nevertheless been implicit in his rejection of the year 1954 as the threshold of danger; and even more in his repeated commentary that "we live not in an instant of peril but in an age of peril."

Military men who have worked with the President have this impression: he is convinced that whatever its long-term goals, the Soviet Union could not hope successfully to challenge the U.S. for at least another five years. This judgment rests, in large measure, upon U.S. supremacy in atomic weapons, now being compounded by the thermonuclear weapons. President Eisenhower has made the point that twenty-five weapons could inflict in a single attack as much damage as was done by the entire U.S. air effort against Germany in World War II. Because of this ace in the hole, he believes that the Truman military program can be safely scaled down, over the next two years, while the new Joint Chiefs of Staff under Admiral Radford re-examine the basic assumptions of U.S. strategy and redress national military forces in light of the new technology of weapons.

Sir Winston Churchill and the British military chiefs had earlier arrived at the same general conclusion (FORTUNE, January, 1953, "A New Strategy for NATO"). It is interesting to note, too, that Churchill and Eisenhower, on assuming the direction of their respective governments, both arrived at about the same decision in much the same political context: massive military programs inherited from predecessor administrations; increasing fiscal deficits; and a recognition that the forces at present being produced at such strain only partially reflect the new technology.

CIA: "No Comment" on Anything

The decision to reduce the U.S. military buildup has thrown a critical responsibility upon the Central Intelligence Agency. For

continued page 38

the ferment in U.S. strategy has its root cause in conflicting judgments over the Soviet military capability and intention. If Wilson could only be sure of what is going on behind the Iron Curtain, he could add or subtract billions to and from the military budget as confidently as he used to lay down G.M. production schedules.

The Director of Central Intelligence is Allen W. Dulles, John Foster's younger brother. Allen Dulles is, for all practical purposes, the President's intelligence adviser. Under the National Security Act of 1947 his organization is specifically charged with advising the National Security Council on intelligence matters bearing upon the general strategic picture. As described in the article on page 75, he regularly briefs the President and the Council. A vivid and explosive personality in his own right, faintly suggestive of Teddy Roosevelt, Dulles has brought to the CIA a professional competence, gained as chief OSS agent in Switzerland during World War II, that excited the admiration of Winston Churchill, no mean judge of espionage.

The CIA necessarily conducts its affairs in secrecy, a fact that has affronted some Congressmen and taxpayers. Dulles has for the time being displaced Acheson and Henry Wallace in Westbrook Pegler's shooting gallery because of his flat refusal to discuss the CIA's budget. And the crusading editor of the Richmond *News Leader*, James Kilpatrick, finds something reprehensible about a government agency that is not publicly accountable for its transactions.

These and other criticisms the CIA has met with silence.

It has been equally unresponsive to the ingenious attacks made upon it by the Kremlin. Repeatedly, Soviet propaganda has painted Dulles as a master American spy who, from Switzerland during World War II, conspired to frustrate the rise of the "People's Republics" of Eastern Europe. One of the strangest revelations during the 1949 trial of the Communist backslider Laszlo Rajk, Hungarian Foreign Minister, was his "confession" to having plotted with Dulles and Tito.

The Kremlin's response

In recent months the Communists have been devoting increased propaganda volume to the CIA, proclaiming the apprehension, within the U.S.S.R. and Soviet satellites, and the execution of numerous "spies" allegedly in Dulles' pay. These charges appear to be so timed by the Kremlin as to divert attention from developments embarrassing to them. (The last charge of this character came within forty-eight hours after the sensational revelation by V. C. Georgescu, a recently naturalized U.S. citizen of Rumanian origin, of the proposition of "political cooperation" made to him by the first secretary of the Rumanian Embassy in Washington, the payoff to be the release from Rumania of Georgescu's two sons.) But the counterplay also testifies to something else: the growing respect in which the Kremlin holds the American agency.

The CIA is something new in American life. The scope of its activities, even the size of its payroll, have never been divulged. Its budget requests are secreted away in innocuous items of other federal departments. The names of certain of its key men have never been disclosed. Its habitual public response to inquiries is: "No comment."

About all that can be said of CIA's activities is that they are extensive and largely concerned with clandestine or "covert" intelligence. The men "in the field" are, of course, outside the U.S. The administrative and analytical echelons are housed in a miscellany of wartime "temporaries" and ex-Public Health buildings in the Foggy Bottom quarter of Washington.

CIA does not compete with the traditional intelligence branches of the military services and the State Department. These still collect intelligence on their own, share it with CIA, and draw upon CIA's separate harvest. Moreover, these other agencies contribute to the "National Intelligence Estimates" prepared under CIA's direction for the National Security Council. These estimates become the broad framework for national strategy decisions.

More sophistication

Until recently the military services were impatient with the meager supply of reliable information concerning the Soviet military establishment. Their hunger for this kind of information can never be wholly appeased. But there have been reassuring signs that the CIA itself, in the words of a competent observer, has become "much more mature, more sophisticated." Not without cost, it has at least dug itself deeply enough into the satellite fabric so that the chances of the Russians' achieving surprise in a ground attack into Western Europe now verge on zero.

The threat of a surprise atomic

continued page 40

blow against North American and/or Western European targets remains. There may be special significance, therefore, in the recent appointment of Lieutenant General Charles P. Cabell as deputy director of CIA. A man of deliberate, analytical temperament, Cabell was for several years Air Force Director of Intelligence, and subsequently Director of the Joint Staff under the Chiefs of Staff.

Air Defense: Kelly vs. "Summer Study" group

The "Lincoln Summer Study" report on continental air defense has drawn an impressive rebuttal. The Summer Study report, as related in FORTUNE ("The Hidden Struggle over the H-Bomb" May, 1953), was the product of an influential coalition of scientists, headed by Robert Oppenheimer and Lloyd V. Berkner of the Brookhaven Laboratory. Oppenheimer and Berkner emerged last year as sponsors of a kind of aerial Maginot Line, to be erected along the Arctic Ocean approaches against possible Soviet atomic attack, and costing at the very least $20 billion. This idea, which would have had the ultimate effect of shifting the preponderant weight of U.S. air resources from the atomic offensive to the defensive, has now been politely rejected by a special committee of scientists, engineers, and industrialists under Dr. Mervin Kelly, president of the Bell Telephone Laboratories. Dr. Kelly's committee has advised Defense Secretary Wilson:

1) The principal element of the U.S. air defense, both as a deterrent to war itself and as a counter to Soviet long-range air power, is strategic air power. Recommendation: "The continued development of a powerful U.S. atomic offensive capability, reasonably invulnerable to initial attack."

2) The air-defense problem can be resolved only by steady technological development, supported by a "stable and sustained research-and-development program . . ."

3) The public should not be gulled into believing that the technical resources for a near-perfect air defense are at hand. "So far as can now be foreseen any such level of protection is unattainable and in any case completely impractical, economically and technically . . ."

4) There is, however, urgent need for "a continental air-defense system much better than that which is assured under present programs," especially for apparatus to give defending forces adequate warning of approaching hostile aircraft.

Dr. Mervin Kelly of Bell Labs

In effect, the Kelly report supports the predominant professional military view—that in the seesaw of advantage between offense and defense, the gains momentarily accruing to the side of the defense from electronic and other technological advances continue to be overtaken by countermeasures, thereby restoring the advantage to offensive weapons.

The specific recommendations of the Kelly report have not been divulged. However, the published statement emphasizes particularly the importance of improving and extending existing early-warning systems. By pushing the U.S. radar warning system farther out to sea and hooking it more closely into the Canadian system, the Kelly committee believes that the first warning interval could be extended from the present theoretical margin of half an hour to at least two hours. This should be enough to allow the interceptor forces to join action on the outer approaches and city populations to take shelter, and for the Strategic Air Command to get off the ground and be on its way.

The Lincoln Summer Study plan, utilizing an elaborate radar system strung along the polar approaches, would have given six hours. During this interval swarms of interceptor aircraft, nesting in fleets of huge transports on perpetual patrol, would presumably engage the oncoming bombers.

While dismissing the practicality of such a dramatic solution, the Kelly report underlined the seriousness of the rising Soviet threat. It noted starkly that Soviet air power already possesses the atomic means to inflict "major" damage to the U.S., on a scale that could "possibly temporarily lessen U.S. capability . . . to support a major war effort." END